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Book Review: Iran Oil: The New Middle East Challenge to America by Roger Howard

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Iran Oil: The New Middle East Challenge to America

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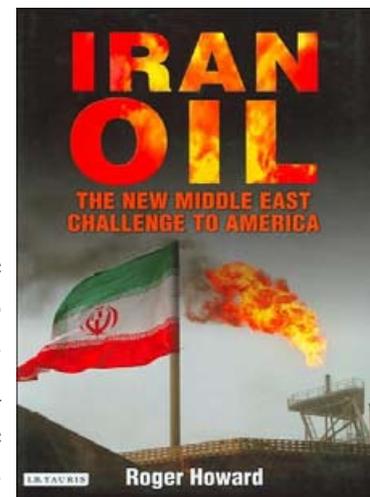
Reviewed by Dr. Robert Looney
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Anti-American sentiments have risen to levels not seen since the 1980s. These sentiments affect US relations even with traditional allies in the Muslim world, like Turkey, Egypt, and Pakistan, as well as with countries of the EU. The policies of the Bush administration, and especially the 2003 invasion of Iraq, are the most obvious cause of the world's worsening image of the United States. However, Roger Howard's *Iran Oil: The New Middle East Challenge to America* suggests that US economic pressures on Iran and those who would do business with it are also an important, albeit more subtle, source of the rising anti-Americanism.

Ironically, of all the nations in the world, Iran, a country with which the US does not even have diplomatic relations, has posed perhaps the greatest challenge to US presidents and American policy makers in recent years. Since the fall of the Shah in 1979, Iran has been a near obsession for successive American Presidents, who seem powerless to affect the actions of that country or offset its growing influence in the region.

In 1980, the severance of US Iranian diplomatic relations and the tragic failure to rescue American hostages from the US embassy in Tehran dashed Jimmy Carter's hopes of winning reelection. Six years later, the Iran-Contra scandal rocked the Reagan administration and led to criminal proceedings against numerous officials, a suicide attempt by a former National Security Advisor, and the near impeachment of the president.

The Clinton administration expressed its frustrations with Iran's alleged sponsorship of terrorism by tightening economic sanctions via the Iran-Libya Sanctions Act (ILSA). The ILSA requires the President to impose at least two of a possible seven sanctions on foreign companies or entities that make an investment of more than \$20 million in one year in Iran's energy sector. This unilateral act alienated the US's main allies the EU,



who criticize it as a heavy-handed extraterritorial application of US law.

Despite the ILSA, Iran has not significantly altered its foreign policy or actions in the region. The challenges associated with Iran's alleged promotion of instability in Iraq and Afghanistan, together with its continued sponsorship of Hezbollah in Lebanon, continues to perplex President Bush. In 2007, Iran's nuclear program apparently pushed the Bush administration to the point of considering a military strike against that country. Even the release of a new National Intelligence Estimate in early December 2007 suggesting that Iran had abandoned its attempt to make a nuclear weapon in 2003 was not enough to diffuse tensions. In an important speech in Bahrain to the GCC, Defense Secretary Gates noted that:

Since that government [Iranian] now acknowledges the quality of American intelligence assessments, I assume that it will also embrace as valid American intelligence assessments of its funding and training of militia groups in Iraq; its deployment of lethal weapons and technology to both Iraq and Afghanistan; its ongoing support of terrorist organizations like Hezbollah and Hamas that have murdered thousands of innocent civilians; and its continued research and development of medium-range ballistic missiles that are not particularly cost-effective unless equipped with warheads carrying weapons of mass destruction (*New York Times*, December 8, 2007).

Such rhetoric suggests that US frustration with Iranian actions may lead to even harsher sanctions. As tensions between Iran and the United States continue to mount and the search for a workable, non-confrontational US policy continues, Roger Howard's important contribution provides valuable insights to the key issues, especially the likely effects of a continuation and perhaps harshening of the US sanctions regime.

First, Howard revisits the ILSA and finds that its ultimate intent was to curb the strategic threat from Iran by hindering that country's ability to modernize its key petroleum sector, which

generates about 20 percent of its GDP and about 80 percent of its foreign exchange. In the mid-1990s, when the ILSA was first considered, Iran's onshore oil fields, as well as its oil industry infrastructure were aging and in need of substantial investment, while its 940 trillion-cubic-foot natural gas reserves were un-developed.

Considerable controversy surrounds the effectiveness of past US sanctions on Iran. Howard reviews the evidence, but finds it inconclusive. While some experts believe the ILSA slowed Iran's energy development initially, Howard finds its deterrent effect weakened as foreign companies began to discover that with some cunning the sanctions could be avoided.

However, the main focus of Howard's excellent study is not the direct impact of the sanctions, but rather their indirect effects, which he concludes will have a great impact on the way in which Iran and the region as a whole evolve in the next few years. In particular, he is concerned with the manner in which the sanctions could further undermine US alliances and friendships in the region and in Europe. As he notes, when the US sought to impose extra-territorial sanctions on third country (non-US) companies investing in the Iranian energy industry, it assumed the threat alone would have a deterrent effect. While smaller players were indeed deterred, by weakening competition, the ILSA also created opportunities for companies from France, Russia, Japan, India, Malaysia, China and elsewhere. By playing the interests of these countries against the US, Iran has been able not only to channel foreign investment into its energy sector but, perhaps more importantly, to weaken American power.

Howard argues that the convergence of Iran's oil resources and the political conditions created by the US boycott of Iran is counteracting American power in three distinct ways. First, it is putting increasing strain on Washington's relations with allies like the European Union, Japan, and even Pakistan, all of whom would like to pursue

a closer energy relationship with Tehran. Second, it has spurred Iran to build stronger political and economic links with Russia and China, and even India, which further reduces America's room for maneuver. Third, Iranian oil undermines US power directly by serving as a source of revenue for the Islamic regime in Tehran.

These themes are developed throughout the book. Of particular interest are the case studies. Currently the US is attempting to scuttle a \$7 billion natural gas pipeline connecting Iran with two US allies, Pakistan and India. The project is designed to partially satisfy Pakistan's and India's soaring thirst for energy and strengthen regional cooperation. Pakistan, for one, says it can't afford to let the project fail. But Washington is adamant that the pipeline not succeed, as the revenues would further Iran's alleged nuclear weapons program. Clearly this stance will backfire if it undermines Pakistan's key strategic function: fighting terrorism. Key to that fight is sustained economic growth underpinned by ample supplies of natural gas, a resource that Iran has in abundance. Many analysts feel the Pakistani economy will suffer a severe blow and may even implode if the pipeline falls through.

In policy terms, Howard argues that Washington's long-term goal of bringing about a change in official Iranian attitudes towards America would perhaps be better served by ending the energy embargo. If the US were to drop its hostility towards the Iran-Pakistan-India pipeline project, for example, and the pipeline were to be built, Iran would acquire a stake in regional stability. Howard says that this, in turn, "could arguably help to moderate the 'aggressive' and 'reckless' foreign policy that its enemies in Washington say it has..." An end to the US embargo would also, by creating more

economic opportunities within Iran, increase the standard of living there and perhaps moderate the country's politics.

Howard sums up his arguments by stressing the fact that as a result of its past policies toward Iran, the US now faces an impossible situation: "If it starts to trade with Iran, or allows its allies to do so without making any effort to stop them, then it is clearly open to allegations of funding a hostile nuclear weapons program and of financing terror. Yet if the current impasse continues, then it is clearly at risk of undermining its own global power, accentuating its own decline..." By chance, the recent intelligence revelations that Iran's nuclear weapons program was discontinued in 2003 would seem to provide the Bush Administration with a way out of its Iranian quandary. As Howard concludes, before the revelation:

If the controversy over Iran's nuclear ambitions is ever resolved to Washington's satisfaction, then of course the way forward should not be too difficult to find. The scope of existing primary economic sanctions against Tehran should be immediately reviewed and gradually rolled back, depending on the scale of Congressional opposition, while ILSA should be completely revoked. Such an economic relationship would in all likelihood quickly lead to a much wider political rapprochement that would open a new chapter in the story of the Middle East (157).

Is the Bush administration likely to recognize the wisdom of Howard's arguments? Sadly, his sage advice will probably fall on deaf ears, with the administration opting, instead, for more of the same failed policies. Yet, especially if oil prices remain high, sooner or later the US will have to come around to something resembling Howard's solution. Hopefully, it will still have a few friends left in the region by the time it does.

Roger Howard: If Bush really wants a safer Middle East, he should stop giving Tehran compelling reasons to acquire nuclear weapons.Â Â· Roger Howard is the author of *Iran Oil: the New Middle East Challenge* and *What's Wrong with Liberal Interventionism* howard1966@btinternet.com. Topics. Iran. Opinion. Middle East and North Africa. comment. Share on Facebook. AMERICAN PERSPECTIVE ON THE MIDDLE EAST John J. Le Beau¹ It is indisputably the case that the Middle East writ large represents a critical foreign policy focal point of the United States. Although the region has held an important place in U.S. policy considerations for several decades, due in no small part to its role as an oil exporter, political and security events of the last several years starkly under-line the pivotal role and herculean challenges the Middle East currently poses for U.S. interests.Â Effectively engaging more hostile regional powers such as Syria and Iran, as publicly recommended in late 2006 by the Iraq Study Group, has been substantially more problematic.Â Indeed, it may well be. 3CONTEMPORARY security challenges in the middle east.